

**Supporting Statement for
the Weekly Report of Assets and Liabilities for Large Banks
(FR 2416; OMB No. 7100-0075),
the Weekly Report of Selected Assets (FR 2644; OMB No. 7100-0075),
and the Weekly Report of Assets and Liabilities for Large U.S. Branches and Agencies
of Foreign Banks (FR 2069; OMB No. 7100-0030)**

Summary

The Board of Governors of the Federal Reserve System proposes to extend for three years, with revision, the following three reports:

- ! The *Weekly Report of Assets and Liabilities for Large Banks* (FR 2416; OMB No. 7100-0075), a detailed balance sheet report that is collected as of each Wednesday from an authorized sample of 50 large U.S.-chartered commercial banks.
- ! The *Weekly Report of Selected Assets* (FR 2644; OMB No. 7100-0075), a considerably less detailed report that is collected as of each Wednesday from an authorized stratified sample of 1,100 smaller U.S.-chartered commercial banks.
- ! The *Weekly Report of Assets and Liabilities for Large U.S. Branches and Agencies of Foreign Banks* (FR 2069; OMB No. 7100-0030), a balance sheet report that is collected as of each Wednesday from an authorized sample of 92 institutions.

These three voluntary reports, which are commonly referred to as the bank credit reports, are mainstays of the reporting system from which data for analysis of current banking developments are derived. The FR 2416 is used on a stand-alone basis as the "large domestic bank series." The other two reports are used as samples and are blown up to universe levels using data from the quarterly commercial bank *Consolidated Reports of Condition and Income* (FFIEC 031-034; OMB No. 7100-0036) and the current *Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks* (FFIEC 002; OMB No. 7100-0032) (Call Reports). Data from all three reports, together with data from other sources, are used for constructing weekly estimates of bank credit, of sources and uses of bank funds, and of a balance sheet for the banking system as a whole. These estimates also are used in constructing the bank credit component of the domestic nonfinancial debt aggregate monitored by the Federal Open Market Committee (FOMC).

The Federal Reserve publishes the data in aggregate form in a statistical release that is followed closely by other government agencies, the banking industry, the financial press, and other users. This weekly H.8 statistical release, *Assets and Liabilities of Commercial Banks in the United States*, provides a balance sheet for the banking industry as a whole and disaggregated by its large domestic, small domestic, and foreign-related components.

The Federal Reserve proposes to revise the FR 2416 and FR 2644 to conform with the March 31, 2001, and June 30, 2001, changes to the *Consolidated Reports of Condition and Income* (Call Report) (FFIEC 031/041; OMB No. 7100-0036). These proposed changes to the FR 2416 and FR 2644 would be effective with the reports for July 4, 2001. The Federal Reserve will work with individual respondents that wish to implement the changes early due to reprogramming their systems for the March Call Report changes. The Federal Reserve also proposes to conform the

FR 2069, beginning with the report for July 4, 2001, to changes, eliminations and reductions in detail on the *Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks* (FFIEC 002; OMB No. 7100-0032) effective June 30, 2001. The major changes to the reporting forms and instructions are described below in detail.

In addition to these revisions, on the FR 2416, The Federal Reserve proposes a minor redefinition of “Commercial real estate loans” to include loans secured by farmland. The Federal Reserve has determined that real estate loans secured by farmland, currently reported in “All other loans secured by real estate,” are used primarily for the financing of land for production (a commercial purpose), rather than for financing the improvements on the land, such as farmhouses. Thus, the bulk of farm real estate loans have a commercial, rather than a residential, character.

Background and Justification

Weekly Report of Assets and Liabilities for Large Banks (FR 2416)

The FR 2416 has one of the longest histories among banking time series, beginning in 1917 when about 600 U.S.-chartered commercial banks began reporting weekly to inform those in charge of the war effort about changing monetary and credit conditions. Over the intervening decades the report has evolved to reflect changing needs for data to analyze loan and security portfolios, bank liquidity, deposit flows, liability management, and regional developments. Some items on the current weekly report reflect specialized data needs associated with the estimation of other series, such as bank credit and nondeposit funds.

Over time, the number of respondents has been reduced substantially as the concentration of banking assets has increased. Since the late 1970s, reporting panels have been selected during each triennial review to include a little more than 50 percent of total assets in U.S. offices of U.S.-chartered commercial banks.

The FR 2416 has specific uses in estimating credit aggregates and in reconciling sources and uses of bank funds, which account for most of the detailed breakdowns of assets and liabilities. It provides basic data for constructing the large-bank components of the bank credit series, including considerable detail on securities holdings, trading activity, and loan components. These series are used in estimating the banking sector of the Flow of Funds Accounts and bank components of domestic nonfinancial debt, a measure monitored by the FOMC. Business loan components of the FR 2416 are important elements of estimates of short- and intermediate-term business credit, a series that is used in analysis of nonfinancial business credit. Some asset items included in the FR 2416 represent banking activities of a specialized nature in which the large banks are dominant, such as securities trading and lending to brokers and dealers. On the liability side of the balance sheet, deposit and borrowings items provide information on sources of bank funding. In addition to these uses of aggregate data, individual bank data from the FR 2416 also have been used in conjunction with data from other sources to monitor individual bank liquidity, funding strategies, and adjustments to such disturbances as adverse credit developments, deregulation, and technological change.

Because commercial banks play a pivotal role in the transmission of monetary policy, the Federal Reserve System requires high-frequency data from which a balance sheet for the whole banking system can be constructed. The FR 2416 provides these data for large domestically chartered commercial banks. Sufficient detail must be available to track the major components of bank credit and the broad outlines of bank funding.

The last renewal and re-assessment of the FR 2416 resulted in a net addition of three items. These three items were previously reported on the monthly *Commercial Bank Survey of Consumer Credit* (FR 2571; OMB No. 7100-0080), which was discontinued when these items were added to the weekly bank credit reports. In June 2000, the following changes were made to the FR 2416: item 5.g, Loans to individuals for household, family, and other personal expenditures, was replaced with two new components: item 5.g(1), Credit cards and related plans (includes check credit and other revolving credit plans) and item 5.g(2), Other (includes single payment, installment and all student loans). This breakdown followed the detail shown in Schedule RC-C of the Call Report. Corresponding items for total amounts outstanding of loans that have been sold and securitized, and that the reporting bank services, for Credit card and related plans (item M.7.a) and Other (item M.7.b) were added to the memoranda section. In addition to the items moved from the FR 2571, memorandum item M.8 was added for the total amount outstanding of commercial and industrial loans that have been sold and securitized and that the reporting bank services.

Weekly Report of Selected Assets (FR 2644)

The FR 2644 is designed to obtain data representative of lending and investing activities of smaller banks, as well as information on their total assets and total borrowings. The Federal Reserve has collected data of this nature from smaller banks (with "smaller" defined as those banks that did not file the FR 2416) since January 1946. Until 1984, the panel comprised all smaller member banks, which reported at first on a monthly (last Wednesday) basis, then semi-monthly (mid- and last-Wednesdays of the month) beginning in 1959, and then weekly (as of each Wednesday) beginning in 1969.

In 1979, a two-tier system of reporting was adopted for the smaller member-bank universe: a stratified sample of 400 member banks reported nine items covering loans, securities, total assets, and large time deposits on the FR 2644s; and all other smaller member banks filed a condensed report, the FR 2644, containing only three items: total security holdings, total loans, and total assets. Until 1984, the Federal Reserve compiled an aggregate balance sheet for banks, drawing data from the smaller member bank reports and from other surveys (including the weekly condition report collected from large banks and the quarterly Call Reports filed by all insured commercial banks), these data were used in compiling nationwide aggregates for all insured U.S. commercial banks.

The general framework for the current FR 2644 was established during the 1983 review of the series. During that review, there was considerable discussion within the Federal Reserve System about whether to continue collecting data on loans and securities from all smaller member banks or to adopt a sampling plan. It was determined that the sample approach would suffice for national estimates of both bank credit and a balance sheet for the banking system as a

whole. The two-tier-reporting scheme was abandoned, and a stratified sample of 1,100 banks was chosen to file a single, revised report (FR 2644) consisting of nine asset items and total borrowings. For the first time, nonmember banks were included in the panel along with member banks. New item definitions were adopted to conform to major changes forthcoming in the March 1984 Call Report.

In 1985 it became apparent that the sample was underestimating growth in bank credit owing to new developments that were not captured in reports from the various weekly reporting panels. Several bank holding companies, usually affiliated with FR 2416 reporters, were establishing limited service institutions and transferring credit card, mortgage financing, or business loan operations from their FR 2416 banks to the new institutions. Such transfers had the effect of restraining growth reported by FR 2416 banks and, since most of the new institutions were not included in any weekly reporting panel, growth in the aggregate estimates was understated as well. At the same time, a number of thrifts were converted to commercial bank charters and were not represented in any reporting panel. To remedy these reporting biases, the The Federal Reserve undertook an analysis of nonbank banks, thrift conversions, and rapidly growing banks and in 1985 asked twenty-seven nonrandomly selected institutions to report on the FR 2644. Interim revisions of the bank credit series and of the H.8 balance sheet were published in November 1985.

Effective June 2000, in parallel fashion to the FR 2416, the following changes were made to the FR 2644: item 4.d, Loans to individuals for household family, and other personal expenditures, was replaced with two new components: item 4.d(1), Credit cards and related plans (includes check credit and other revolving credit plans), and item 4.d(2), Other (includes single payment, installment and all student loans). Corresponding items for total amounts outstanding of loans that have been securitized and sold (with servicing retained) for Credit cards and related plans (new item M.3.a) and Other (new item M.3.b) were added to the memoranda section.

Weekly Report of Assets and Liabilities for Large U.S. Branches and Agencies of Foreign Banks (FR 2069)

The Federal Reserve has collected balance sheet data from U.S. branches and agencies of foreign banks since November 1972, with the reporting frequency varying over the years. Until June 1980, all branches and agencies reported a detailed monthly balance sheet, enabling the Federal Reserve to monitor the branches and agencies in the U.S. banking system. In 1978, the Congress passed the International Banking Act, which led to increased regulation of U.S. branches and agencies. Recognizing the growing importance of these entities in the U.S. banking system, in 1979 the Federal Reserve broadened several statistical measures of banking activity to include these foreign-related institutions.

Weekly reports of a few major asset and liability items were obtained from a sample of branches and agencies in 1979 to provide for early estimates of bank credit and nondeposit funds in advance of the monthly universe balance sheet. With sample coverage varying from 30 to 50 percent of totals for these items, estimation errors were relatively large, but revisions could be made promptly as the monthly universe data became available.

However, when a quarterly report of condition for these institutions (FFIEC 002) was substituted for the monthly report in June 1980, the reporting panel for the weekly report (at that time the FR 2049) was expanded to achieve greater reliability of current estimates between benchmarks that were no longer monthly but quarterly. In July 1981, the current FR 2069 report replaced the FR 2049, providing a weekly summary balance sheet for the fifty largest branches and agencies. The FR 2069 was revised further in January 1986 to take account of revisions in the FFIEC 002, and about fifteen large branches and agencies were added to the reporting panel.

In both January 1989 and January 1992, relatively minor changes were made in data item coverage and definitions, and U.S. branches and agencies that had become quite large since the preceding review were added to the panel in order to maintain adequate coverage.

The entire FR 2069 panel functions as a single sample for estimating the branch and agency universe. There is no stratification by size or by parent country. However, in the years preceding the last report renewal, the panel was overweighted toward Japanese branches and agencies. As a result, when growth at these institutions differed noticeably from that at non-Japanese branches and agencies, the resulting universe estimates were distorted. In October 1996, this problem was addressed with the addition of twenty large, non-Japanese institutions. As a result, the coverage of total assets at all U.S. branches and agencies rose from about two-thirds to about three-fourths.

In October 1996 and consistent with the approach taken for the FR 2416, three loan items were combined into one "All other loans", and ownership detail for deposits was dropped. Two new items were necessitated by the addition to the Call Report of a separate item for trading account securities and the need to continue classifying banks' securities holdings between U.S. Government and Other. As with the FR 2416, an item for trading liabilities was added in order to be consistent with the branch and agency Call Report. Again consistent with the FR 2416, items were added to measure gross revaluation gains and gross revaluation losses on off-balance-sheet contracts. The result of these changes was a net reduction of one item.

Effective June 2000 a new memorandum item M.3 was added for the total amount outstanding of commercial and industrial loans that have been sold and securitized (with servicing retained) .

Description of Information Collection

The FR 2416 is a detailed, 47-item balance sheet that covers domestic offices of large U.S.-chartered commercial banks. The FR 2644 collects seventeen items covering investments and loans plus total assets and three memorandum items, two that disaggregate total borrowings between bank and nonbank sources and one for mortgage-backed securities. The FR 2069 is a detailed, 29-item balance sheet that covers large U.S. branches and agencies of foreign banks. The current forms and instructions for all three reports are shown on the Federal Reserve's public web site at <http://www.federalreserve.gov/boarddocs/reportforms/default.cfm>. Below is an explanation of the proposed revisions, which would be effective June 2001.

Proposed revisions to FR 2416

- Items 2.a and 2.b under “Trading account assets” would not be subject to the \$2 million threshold on the proposed Call Report Schedule D. Most of the FR 2416 reporters currently meet the threshold and all reporters must track this information in the event that they meet the Call Report threshold in the future. The Federal Reserve believes that the burden of continuing to require respondents that do not meet the Call Report threshold to report this information on the FR 2416 would be minimal.
- Item 5.a(2) “Commercial real estate loans” would be redefined to include the Call Report, Schedule RC-C, Part I, Col. B Item 1.b “Secured by farmland (including farm residential and other improvements)” to reflect the commercial nature of these farm loans.
- Item 5.a(3) “All other loans secured by real estate” would be redefined to exclude the Call Report, Schedule RC-C, Part I, Col. B Item 1.b “Secured by farmland (including farm residential and other improvements).”
- Item 5.b “Loans to commercial banks in the U.S. (including U.S. branches and agencies of foreign banks).” This item would be re-titled as “Loans to and acceptances of commercial banks in the U.S. (including U.S. branches and agencies of foreign banks).” The definition would be changed to include acceptances of other banks in the U.S., previously reported in Item 5.e “Bankers acceptances” of the FR 2416. This change is in response to the deletion of the separate line for bankers acceptances in Item 5 on Schedule RC-C of the Call Report. These balances would be reported as part of Schedule RC-C, item 2.a of the Call Report going forward.
- Item 5.e “Bankers acceptances” would be deleted, and the information would be reported in items 5.b, 5.f or 5.i, as appropriate. This change is in response to the deletion of the separate line for bankers acceptances in Item 5 on Schedule RC-C of the Call Report. These balances would be reported as part of Schedule RC-C, item 2 of the Call Report going forward. The field for Item 5.e would be retained as “Not applicable.”
- Item 5.f “Commercial and industrial loans (other than acceptances)” would be re-titled “Commercial and industrial loans” and would conform to the Call Report by including own BAs where the account party is a commercial or industrial firm.
- Item 5.i “All other loans.” The definition would be changed to include acceptances of banks in foreign countries previously reported in Item 5.e “Bankers acceptances” of the FR 2416. This change is in response to the deletion of the separate line for bankers acceptances in Item 5 on Schedule RC-C of the Call Report. These balances would be reported as part of Schedule RC-C, items 2.b and 2.c of the Call Report going forward.
- Item 5.k(2) would be re-titled as “Allowance for loan and lease losses.” This is due to the allocated transfer risk reserve component on the current Call Report, Schedule RC-Balance sheet, Item 4.c being moved to the new regulatory capital schedule RC-R, Item 61 of the proposed Call Report. Going forward, banks would report each line item on Schedule RC-C

of the Call Report net of any allocated transfer risk reserve. This would also be true for items 5.a through 5.j of the FR 2416.

- Memorandum Item M.7 “Loans to individuals for household, family and other personal expenditures (corresponds definitionally to credit types covered by Items 5.g (1) and 5.g (2) above) that have been securitized and sold and that the reporting bank services. Total amount outstanding,” would be re-titled as “Loans to individuals for household, family and other personal expenditures (corresponds definitionally to credit types covered by Items 5.g (1) and 5.g (2) above) outstanding principal balance of assets sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements.” Item M.7.a “Credit cards and related plans” would reference Call Report, Schedule RC-S, Column C, Item 1. Item M.7.b “Other” would reference Call Report, Schedule RC-S, Columns D and E, Item 1.
- Memorandum Item M.8 “Commercial and industrial loans (corresponds definitionally to credit types covered by Item 5.f above) that have been securitized and sold and that the reporting bank services. Total amount outstanding.” This item would reference the Call Report, Schedule RC-S, Column F, Item 1 and be re-titled as “Commercial and industrial loans (corresponds definitionally to credit types covered by Item 5.f above) outstanding principal balance of assets sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements.”

Proposed revisions to FR 2644

- Item 4.b “Loans to commercial banks in the U.S. (including U.S. branches and agencies of foreign banks).” This item would be re-titled as “Loans to and acceptances of commercial banks in the U.S. (including U.S. branches and agencies of foreign banks).” The definition would be changed to include acceptances of other banks in the U.S., previously reported in Item 4.c “Commercial and industrial loans” of the FR 2644. This change is in response to the deletion of the separate line for bankers acceptances in Item 5 on Schedule RC-C of the Call Report. These balances would be reported as part of Schedule RC-C, item 2.a of the Call Report going forward.
- Item 4.c “Commercial and industrial loans.” The definition would be changed to conform to the Call Report by excluding the acceptances of other banks and including own BAs where the account party is a commercial or industrial firm. This change is in response to the deletion of the separate line for bankers acceptances in Item 5 on Schedule RC-C of the Call Report. These balances would be reported as part of Schedule RC-C, item 2 on the Call Report going forward.
- Item 4.e “All other loans.” The definition would be changed to include acceptances of banks in foreign countries previously reported in Item 4.c “Commercial and industrial loans” of the FR 2644. This change is in response to the deletion of the separate line for bankers acceptances in Item 5 on Schedule RC-C of the Call Report. These balances would be reported as part of Schedule RC-C, item 2.b and 2.c of the Call Report going forward.

- Memorandum Item M.3 “Loans to individuals for household, family and other personal expenditures (corresponds definitionally to credit types covered by Item 4.d above) that have been securitized and sold and that the reporting bank services, total amount outstanding:” Item M.3.a “Credit cards and related plans” would reference the Call Report, Schedule RC-S, Column C, Item 1. Item M.3.b “Other” would reference the Call Report, Schedule RC-S, Columns D and E, Item 1. Memorandum Item M.3 would be re-titled as “Loans to individuals for household, family and other personal expenditures (corresponds definitionally to credit types covered by Item 4.d above) outstanding principal balance of assets sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements.”

Proposed revisions to FR 2069

- Item 5.b “Loans to commercial banks in the U.S. (including U.S. branches and agencies of other foreign banks).” This item would be re-titled as “Loans to and acceptances of commercial banks in the U.S. (including U.S. branches and agencies of foreign banks).” The definition would be changed to include acceptances of other banks previously reported in Item 5.d “Bankers acceptances” of the FR 2069. This change is in response to the deletion of the separate line for bankers acceptances in Item 5 on Schedule C of the FFIEC 002. These balances would be reported as part of Schedule C, item 2.a of the FFIEC 002 going forward.
- Item 5.d “Bankers acceptances” would be deleted, and the information would be reported in item 5.b or item 5.f, as appropriate. This change is in response to the deletion of the separate line for bankers acceptances in Item 5 on Schedule C of the FFIEC 002. These balances would be reported as part of Schedule C, item 2 of the FFIEC 002 going forward. The field for Item 5.d would be retained as “Not applicable.”
- Item 5.e “Commercial and industrial loans” would conform to the Call Report by including own BAs where the account party is a commercial or industrial firm.
- Item 5.f “All other loans.” The definition would be changed to include acceptances of other depository institutions and banks in foreign countries previously reported in Item 5.d “Bankers acceptances” of the FR 2069. This change is in response to the deletion of the separate line for bankers acceptances in Item 5 on Schedule C of the FFIEC 002. These balances would be reported as part of Schedule C, items 2.b and 2.c of the FFIEC 002 going forward.
- Memorandum Item M.3 “Commercial and industrial loans (corresponds definitionally to credit types covered by Items 5.d and 5.e above) that have been securitized and sold and that the reporting bank services, total amount outstanding:” This item would be changed to reference the FFIEC 002, Schedule RC-S, Column F, Item 1, and would be re-titled as “Commercial and industrial loans (corresponds definitionally to credit types covered by Item 5.e above) outstanding principal balance of assets sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements.”

Instructions

Instructions would be revised and clarified in accordance with changes made to the Call Report. In particular, the FR 2644 equivalency table would be simplified to assist FFIEC 041 respondents with reporting Schedule RC-C – Loans and Lease Financing Receivables.

Reporting panel

The Federal Reserve proposes to revise the reporting panels for these reports on the current triennial schedule, effective January 2003, to maintain consistent panel coverage and reduce respondent burden. The Federal Reserve would use the same methodology it has used for previous panel shifts and would determine the new reporting panels around mid-year 2002.

Frequency

The Federal Reserve recommends that the FR 2416, FR 2644, and FR 2069 continue to be collected weekly, as of the close of business each Wednesday. Weekly data are needed for accurate and timely construction of the key series used to analyze current banking developments. The balance sheet series, both for large institutions and for the banking system as a whole, are constructed and published weekly. None of these series could be constructed on a sufficiently accurate or timely basis if the frequency of reporting were reduced.

Time Schedules for Information Collection and Publication

Reserve Banks collect, edit and transmit micro data from the FR 2416, FR 2644 and FR 2069 to the Board for central processing. Aggregate data from all three reporting forms are compiled the Board. On Friday afternoon, the H.8 release for the current as-of date (two Wednesdays ago) is published.

Legal Status

The Board's Legal Division has determined that the Federal Reserve Board has the legal authority to collect these reports as follows:

FR 2416 and FR 2644: 12 U.S.C. ' ' 225(a) and 248(a)(2).

FR 2069: 12 U.S.C. ' 248 (a)(2) and 3105(a)(2).

Individual respondent data from all three reports are considered confidential under the Freedom of Information Act, 5 U.S.C. ' 552(b)(4).

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Sensitive Questions

These reports contain no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Respondent Burden

As presented in the table below, the current annual reporting burden for the three bank credit reports is estimated to be 113,665 hours. The burden of the current reports are less than 1 percent of the total Federal Reserve System burden. The Federal Reserve believe that respondents would have to reprogram their systems for Call Report purposes and that the incremental burden for reprogramming the bank credit reports would be negligible. The Federal Reserve also believes that the ongoing annual burden for the bank credit reports would be unchanged.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 2416	50	52	7.25	18,850
FR 2644	1,100	52	1.17	66,924
FR 2069	92	52	5.83	<u>27,891</u>
				113,665

Based on an hourly rate of \$20, the annual cost to the public is estimated to be \$2,273,300 for the revised bank credit reports.

Estimate of Costs to the Federal Reserve System

Proposed costs to the Federal Reserve System for collecting and processing the three bank credit reports are estimated to be \$1,151,040 per year.